

## Message Text

UNCLASSIFIED

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17

ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 FRB-01 OMB-01 XMB-04 AID-05

CIAE-00 COME-00 EB-07 INR-07 NSAE-00 USIA-15 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 /066 W

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R 190615Z APR 76

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 4218

UNCLAS ABU DHABI 1031

DEPT PASS TREASURY, FEDERAL RESERVE

E.O. 11652: NA

TAGS: EFIN, TC

SUBJ: UAE INTRODUCES LIQUIDITY RATIOS

REF: ABU DHABI A-13, A-29

1. IN CIRCULAR LETTER TO ALL BANKS, UAE CURRENCY BOARD ANNOUNCED THE IMPOSITION OF LIQUIDITY RATIOS. CITING THE MOST RECENT MONTHLY STATISTICAL RETURNS FROM MEMBER BANKS, CASH RATIOS OF SEVERAL BANKS HAD FALLEN TO LEVEL UNACCEPTABLE TO THE BOARD. TO MAINTAIN HEALTHY BANKING SYSTEM, BANKS MUST MAINTAIN CASH ON DEPOSIT WITH THE BOARD EQUIVALENT TO FIVE PERCENT OF TOTAL DIRHAM DEPOSITS (SAVINGS, DEMAND, AND TIME) AND ONE PERCENT OF TOTAL FOREIGN CURRENCY DEPOSITS (EXPRESSED IN DIRHAMS). MINIMUM CASH DEPOSIT BECAME EFFECTIVE MAY 1.

2. REQUIREMENTS FOR INDIVIDUAL BANKS CALCULATED AT END OF ANY GIVEN MONTH. NOTIFICATION OF MINIMUM CASH DEPOSIT FOLLOWS WITHIN TWO WEEKS. DEFICITS AND/OR SURPLUSES ARE ADJUSTED WITHIN NEXT TWO WEEKS.

3. COMMENT: MOVE BY CURRENCY BOARD DID NOT COME AS UNCLASSIFIED

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SURPRISE SINCE DISCUSSIONS ABOUT IMPOSING LIQUIDITY

RATIOS HAD BEEN TOPIC OF CONSIDERABLE DISCUSSION WITHIN  
UAE BANKER'S ASSOCIATION. RECENT STATISTICAL WORK BY  
BOARD HAD SHOWN THAT BANKS, ON THE AVERAGE, MAINTAINED  
EIGHT PERCENT VAULT CASH AGAINST DEPOSITS SO NEW  
REQUIRED LIQUIDITY RATIO WILL NOT AFFECT WELL ESTABLISHED  
BANKS. NEWLY OPENED BANKS WILL FEEL MORE RESTRAINT  
ON LENDING ACTIVITIES WHICH ALREADY BEING REFLECTED IN  
FLEDGLING MONEY MARKET. SINCE BOARD'S ANNOUNCEMENT  
RATES ON INTER-BANK DIRHAM LOANS HAVE SHOT UP BY  
ONE-HALF TO FULL ONE PERCENT AND MAY GO HIGHER.  
STERNER

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BANK RESERVES, LIQUIDITY (MONETARY)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 19 APR 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976ABUDH01031  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
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**Film Number:** D760147-0586  
**From:** ABU DHABI  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** UAE INTRODUCES LIQUIDITY RATIOS  
**TAGS:** EFIN, TC  
**To:** STATE  
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